

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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DATE: July 1, 2008

TO: Tax Credit Allocation Committee Stakeholders

FROM: William J. Pavão, Executive Director

SUBJECT: New Tax Credit Application Instructions and Known Errors

Attached is the 2008 California Tax Credit Allocation Committee (TCAC) Application for Low Income Housing Tax Credits. The application is now in Microsoft Excel, while the attachments are in Microsoft Word. TCAC staff has designed the application to enhance consistency and efficiency in application preparation, and to reduce errors associated with incorrect numbers carrying across various portions of the application.

All applicants are encouraged to download and use this electronic version. As you complete the application, please inform us of any problems you encounter or suggestions for improvement. In that way, TCAC can continue to improve the application form and process. Please check the website frequently for updates as the application may change from now until the application deadline.

Since this Excel version of the application is completely new, staff and users have discovered minor errors after it was publicly released by staff, and also by our applicants. TCAC intends to revise the application on an on-going basis in order to provide you with the latest most accurate tool for completing a tax-credit application.

Since the application's release, some of you may have already started to complete the application process. TCAC will give you the option of either:

1. Finish completing the application (9% **version 2-08-08 only**) and attach a supplemental worksheet notifying TCAC of the errors.

Or

2. Discard the application and begin with the newest revised 9% application posted.

This memo mainly references errors in the 9% application because it was the first one released to the public. Assume that all the errors mentioned in this memo refer to the 9% application unless otherwise stated. As of July 1, 2008, these are the known errors in the application and temporary solutions for those who will continue to use the 9% 2-08-08 version of the application:

1. Part VII of the entire application does not exist. The application goes from Part I – Part VI. Any references in the entire application to Part VII were intended to reference Part VI. (9% **version 2-08-08 only**)
 - **Solution:** Ignore anything referencing to Part VII and consider it Part VI.

2. Part VI. The Points System – A(2) Credit Reduction – 3) Total Qualified Basis Reduction. This dollar amount auto calculates and does not round the dollar figure up when it should. (9% version 2-08-08 only)
 - **Solution:** Ignore this error for now, it will be fixed in the revised application. TCAC will adjust your amounts to reflect the proper changes when you submit the application.
3. Part VI. The Points System – G. Sustainable Building Methods – (1)(a) – (ix) – “Use of bathroom fans that exhaust to the outdoors and are equipped with a humidistat sensor or timer in all bathrooms.” This point score reads and scores 1 Point when it should score 2 Points. (9% version 2-08-08 only)
 - **Solution:** Ignore this error for now, it will be fixed in the revised application. TCAC will adjust your amounts to reflect the proper changes when you submit the application.
4. Part III. Section 1: Construction Financing and Part III. Section 2: Permanent Financing. The “Interest Rate” columns round the percentages when it should list them as they are typed. (9% version 2-08-08 only)
 - **Solution:** If the numbers display properly then ignore this error, if not, type out the numbers as text instead. Example: 6.25% = six.two-five%
5. Numbering inconsistencies and incomplete wording in the entire application. (9% version 2-08-08 only)
 - **Solution:** Ignore the errors for now, they will be fixed in the revised application.
6. Part III. Section 5: A.Threshold Basis Limit – (g): References to “net of rebates” was removed. You have the choice of either gross or net of rebates when completing this section. (9% version 2-08-08 only)
 - **Solution:** Ignore this error for now, it should be fixed in the revised application.
7. Part VI. Section 1: The Points System, D(2), 3.: Educational classes references “(b)” when it should say “(2)”. (9% version 2-08-08 only)
 - **Solution:** Ignore this error for now, it should be fixed in the revised application.
8. Part VI. Section 1: The Points System, F, (ii): Points should be 2 instead of 3
 - **Solution:** Ignore this error for now, it will be fixed in the revised application. TCAC will adjust your amounts to reflect the proper changes when you submit the application. (9% version 2-08-08 only)
9. Application Checklist: The checklist is being reorganized to make it easier to compile a binder for submission. (9% version 2-08-08 only)
 - **Solution:** You can either use the current checklist from your current application or use the new checklist in the latest application. TCAC will accept either one.
10. 3-06-08 - Attachment- ATT Part III - Project Financing - Sec 5 - A - Architect Engineer Threshold Basis Cert - 2008.doc, missing feature selection: Exceed Title 24 standards by at least 15% (only on the (9% version 2-08-08) & (4% + State credit version 3-03-08 application));
 - **Solution:** You can either use the revised document posted online or manually add this feature yourself upon submission.
11. 3-07-08 - Part II, Section 2: B), county selection; some counties were missing from the drop down selection. (4% application);
 - **Solution:** Use the revised document posted online.
12. 3-10-08 - Part II, Section 5: B), Real Estate Tax Rate: formatting is dollar signs when it should be in decimals (all applications);
 - **Solution:** Type an apostrophe before you enter the number.
13. 3-10-08 - Part III, Section 5: A), Threshold Basis Limit: total threshold basis limit fails to add boosts (j) and (k) (all 4% applications);
 - **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.

14. 3-10-08 - Part III, Section 5: A), Threshold Basis Limit: Basis limit calculations calculate for 9% values when they should be 4% values (all 4% applications);
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.
15. 3-25-08 - Part V, Section 1: D), State Credit Calculation now separates the New Construction/Rehabilitation and Acquisition instead of one total (9% version 2-08-08 only);
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.
16. 3-25-08 - Part VI, Section 1: H(1), The “Percent of Income Targeted Units to Total Tax Credit Units (exclusive of mgr’s units)” column had an error in the formula that resulted in nothing appearing in the “Points Earned” column (only on the (9% version 2-08-08) & (4% + State credit version 3-03-08 application));
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.
17. 3-25-08 - Part VI, Section 2, The “Cost Efficiency, Credit Reduction, & Public Funds Total Points” column was allowing 20 points even though a minimum of 2 points was not received in the Credit Reduction category. The formula has now been revised and pursuant to Regulations, a 2 point minimum is required in the Credit Reduction category to receive the maximum 20 points for Cost Efficiency, Credit Reduction, & Public Funds. (9% version 2-08-08 only);
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.
18. 3-28-08 - Part V, Section 1: C) The minimum tax credit factor identified was incorrect when showing \$0.80. The application now correctly identifies the minimum tax credit factor for applications requesting only federal tax credits. (4% application);
- **Solution:** No change needs to be made other than meeting the correct minimum tax credit factor of \$0.83 for applications requesting only federal tax credits.
19. 4-2-08 - Part VI, Section 1: A(1) The formula in the cell that calculates the Cost Efficiency points was showing negative points when the total eligible basis exceeded the threshold basis limit. The formula has now been corrected and a negative percentage will now result in zero (0) points instead of negative points. (9% version 2-08-08 only);
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.
20. 4-25-08 - Updates to language in the Checklist tab (4% application).
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.

21. 5-27-08 - Part V, Section B - The “applicable percentage” for all of the applications have been updated to 8.00% & 3.50% (for 9% applications) and 3.50% (for all 4% applications) to reflect the new underwriting percentages pursuant to the memo dated April 25, 2008 referenced on our website (<http://www.treasurer.ca.gov/ctcac/2008/percentages.pdf>) (all applications).
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. You may make the changes to the application yourself as the cells affected by the change are not protected.
22. 6-17-08 - Part II, Section 5: E & F Some of the drop down boxes now include “N/A” instead of just “Yes” or “No” choices. Part IV, Section 1: “Total Land Lease/Pre-paid Rent” line item was added in the Development budget in the Total Land Cost/Value section. Tab 4 & 7 of the Application Checklist have been slightly revised for formatting and clarification (all applications). Additionally, Tab 15 of the Application Checklist has been revised for formatting and clarification (4% application).
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.
24. 6-17-08 - Part IV, Sources and Uses Budget: Additional rows have been added and a subtotal column has been added (all applications).
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.
25. ***NEW 6-19-08*** Part IV, Section 1: “Total Land Lease/Pre-paid Rent” line item was replaced with “Land Lease Rent Prepayment” in the Development budget under the Total Land Cost/Value section (all applications).
- **Solution:** TCAC recommends that you fill out the newest applications that reflect the proper changes. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.
26. ***NEW 6-30-08*** Part II, Section 5: Item F contained an error related to a locked drop down option, which has been corrected (all applications).
- **Solution:** If this impacts your application, TCAC recommends that you fill out the newest application; otherwise continued use of the previous application is acceptable. Also, you can email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will fix the error and email you the application back.
27. ***NEW 7-1-08*** Part V, Section B & C: The cells for the “Applicable Percentage” for Federal & State Credit calculation have now been locked due to users using incorrect underwriting credit percentages (all applications).
- **Solution:** If this impacts your application, TCAC recommends that you fill out the newest application; otherwise continued use of the previous application is acceptable. If the application is a re-application that locked in the applicable credit percentage at Carryover, the locked-in rate must be used (IRS TD 8520, Section 1.42-8(a)(4)). Please email gferguson@treasurer.ca.gov or azeto@treasurer.ca.gov the application you are working on and they will adjust the applicable percentage accordingly and email you the application back.

Number 2,3, and 8 are calculative errors. Please complete the attached worksheet notifying TCAC of the corrections that are needed when submitting the application version 2-8-08.

If you have any questions regarding the new application, please contact Gina Ferguson at gferguson@treasurer.ca.gov or Anthony Zeto at azeto@treasurer.ca.gov.

Application Worksheet Corrections

These are the substantial corrections that need to be made. Please complete the amounts below and submit with your application if you intend on submitting application version 2-8-08. Otherwise disregard this as it does not apply to the newer version.

2. Part VI. The Points System – A(2) Credit Reduction – 3) Total Qualified Basis Reduction. This dollar amount auto calculates and does not round the dollar figure up when it should.
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Current amount:

Suggested Corrected Amount:

3. Part VI. The Points System – G. Sustainable Building Methods – (1)(a) – (ix) – “Use of bathroom fans that exhaust to the outdoors and are equipped with a humidistat sensor or timer in all bathrooms.” This point score reads and scores 1 Point when it should score 2 Points.
 - **Solution:** Ignore this error for now, it will be fixed in the revised application. TCAC will adjust your amounts to reflect the proper changes when you submit the application.

Current amount:

Suggested Corrected Amount:

8. Part VI. Section 1: The Points System, F, (ii): Points should be 2 instead of 3
 - **Solution:** Ignore this error for now, it will be fixed in the revised application. TCAC will adjust your amounts to reflect the proper changes when you submit the application.

Current amount:

Suggested Corrected Amount: